



# A Different Way to Invest

## The Evolution of Investing

Christian Newton, Regional Director

November 17, 2016

**FOR PROJECTION ONLY, NOT FOR DISTRIBUTION** Advisor registered with the Securities and Exchange Commission. Consider the investment objectives, risks, and charges and expenses of the Dimensional funds carefully before investing. For this and other information about the Dimensional funds, please read the prospectus carefully before investing. Prospectuses are available by calling Dimensional Fund Advisors collect at (512) 306-7400 or at [us.dimensional.com/prospectus](http://us.dimensional.com/prospectus). Dimensional funds are distributed by DFA Securities LLC.

## They try to predict the future

“I have a proven system for picking winning stocks.”

“That sector will continue advancing through next year.”

“The market is primed for a retreat.”

# They bet their savings on tips and hunches

“I heard it on the news.  
I’d better sell!”

“I got a hot tip from my neighbor.  
It’s a slam dunk.”

“My friend works in the industry—  
he’s got the inside scoop.”

## They act on impulse

“I can’t take this bear market—  
I’m getting out!”

“Everyone’s making money—I want  
a piece of the action.”

# There are differing approaches

## CONVENTIONAL MANAGEMENT

Attempts to identify mispricing in securities

Relies on forecasting to select “undervalued” securities or time markets

Generates higher expenses, trading costs, and risks

# Conventional investment methods have low odds of success

Fraction of mutual funds that survived and outperformed their index for 15 years, ending December 31, 2015



**Past performance is no guarantee of future results.** Survivors are funds that were still in existence as of December 31, 2015. Outperformers are survivors that beat their respective benchmarks over the period. See “Data Appendix” page in the Appendix for additional information.

Source: Mutual Fund Landscape, Dimensional Fund Advisors 2016. US-domiciled mutual fund data is from the CRSP Survivor-Bias-Free US Mutual Fund Database, provided by the Center for Research in Security Prices, University of Chicago.

# There are differing approaches

## INDEXING

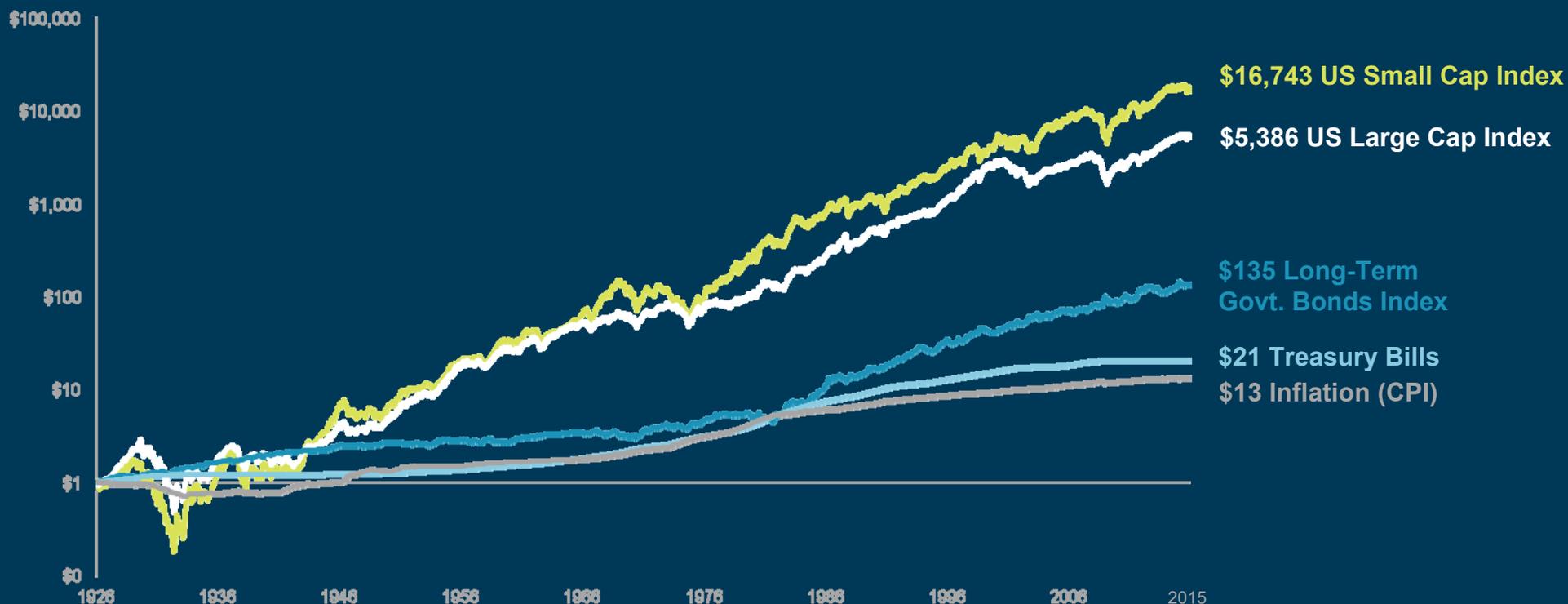
Allows commercial index to determine strategy

Attempts to match index performance, restricting which securities to hold and when to trade

Prioritizes low tracking error over higher expected returns

# Capital markets have rewarded long-term investors

Monthly growth of wealth (\$1), 1926-2015



Past performance is no guarantee of future results. In US dollars. Indices are not available for direct investment. Their performance does not reflect the expenses associated with the management of an actual portfolio. See "Growth of Wealth Indices" page in the Appendix for more information. US Small Cap Index is the CRSP 6-10 Index; US Large Cap Index is the S&P 500 Index; Long-Term Government Bonds Index is 20-year US government bonds; Treasury Bills are One-Month US Treasury bills; Inflation is the Consumer Price Index. CRSP data provided by the Center for Research in Security Prices, University of Chicago. Bonds, T-bills, and inflation data © Stocks, Bonds, Bills, and Inflation Yearbook™, Ibbotson Associates, Chicago (annually updated work by Roger G. Ibbotson and Rex A. Sinquefeld).





# Focus on what you can control



Advance  
with science

Let markets  
work for you

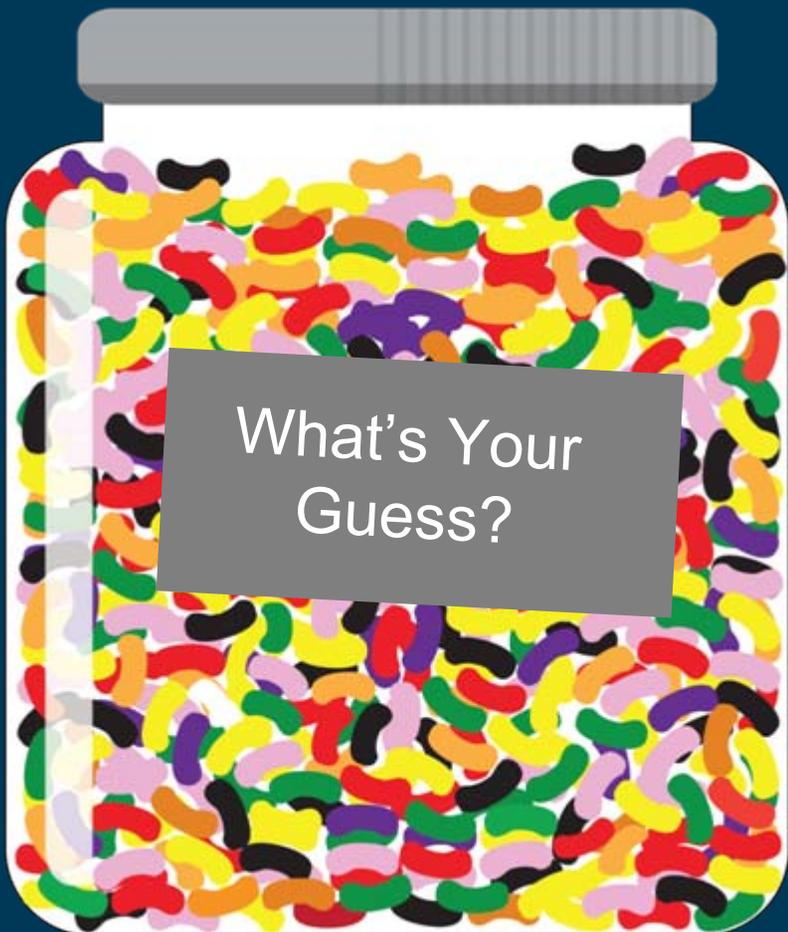
Consider expenses  
and turnover

Diversify

Stay disciplined

A financial advisor can help you create a plan and focus on actions that add value.

# Together, we know more than we do alone



Participants were asked to estimate the number of jelly beans in a jar.

Range: 409-5,365

**Average: 1,653**

**Actual: 1,670**

# Markets integrate the combined knowledge of all participants

## World Equity Trading in 2015

	Number of Trades	Dollar Volume
Daily Average	<b>98.6 million</b>	<b>\$447.3 billion</b>

The market effectively enables competition among many market participants who voluntarily agree to transact.

This trading aggregates a vast amount of dispersed information and drives it into security prices.

# There are differing approaches

## DIMENSIONAL

Gains insights about markets and returns from academic research

Structures portfolios along the dimensions of expected returns

Adds value by integrating research, portfolio structure and implementation

# From insights to implementation



Our integrated investment process adds value at each step.

We apply research throughout our process to advance our understanding of all aspects of investing.

# Adding value through flexible, patient trading

“I want this one—today!”



“I’m flexible.”



# Track record after fees

Dimensional portfolios with 15+ years of performance

First full month <sup>1</sup> through 3/31/2016	ANNUALIZED RETURN	
	Fund (%)	Benchmark (%)
<b>US EQUITY</b>		
US Micro Cap, since 1/82	11.75	10.03
US Small Cap, since 4/92	10.39	8.83
US Large Cap Value, since 3/93	9.70	9.33
US Small Cap Value, since 4/93	11.53	9.67
<b>NON-US EQUITY</b>		
International Small Company, since 10/96	6.68	5.82
International Small Cap Value, since 1/95	7.28	5.59
International Value, since 3/94	5.58	4.52
Emerging Markets Small Cap, since 4/98	10.94	6.14
Emerging Markets Value, since 5/98	9.81	6.24
Emerging Markets, since 5/94	6.35	4.93
<b>FIXED INCOME</b>		
One-Year Fixed, since 8/83	4.84	4.43
Intermediate Government, since 11/90	6.56	6.06
Five-Year Global, since 12/90	5.56	4.87

1. Returns are annualized from the first full month and reflect compound returns and assume reinvestment of dividends and other earnings. Benchmark information available in the appendix. See "Track Record Portfolios and Benchmarks" and "Standardized Performance Data and Disclosures" pages in the Appendix.

**Performance data shown represents past performance and is no guarantee of future results. Performance includes reinvestment of dividends and other earnings. Current performance may be higher or lower than the performance shown. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. To obtain the most current month-end performance data, visit [us.dimensional.com](http://us.dimensional.com).**

# Many of the greatest advancements in finance have come from academia

**1952**  
**Diversification and Portfolio Risk**

**HARRY MARKOWITZ**  
Nobel Prize in Economics, 1990

**1966**  
**Efficient Markets Hypothesis**

**EUGENE FAMA**  
Nobel Prize in Economics, 2013

**1984**  
**Term Structure of Interest Rates**

**EUGENE FAMA**

**2012**  
**Profitability**

**ROBERT NOVY-MARX**  
**EUGENE FAMA**  
**KENNETH FRENCH**

**1964**  
**Single-Factor Asset Pricing Risk/Return Model**

**WILLIAM SHARPE**  
Nobel Prize in Economics, 1990

**1981**  
**The Size Effect**

**ROLF BANZ**

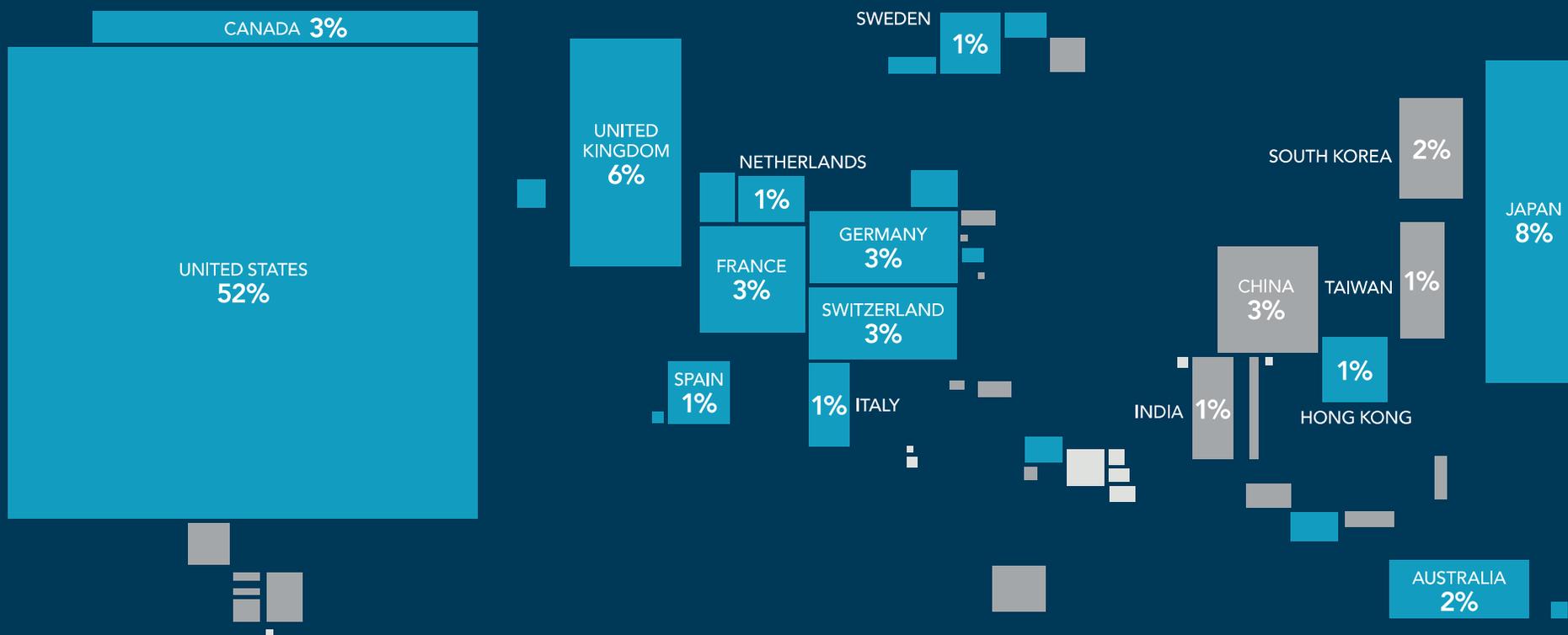
**1992–1993**  
**Value Effect and Multifactor Asset Pricing Model**

**EUGENE FAMA**  
**KENNETH FRENCH**

# There's a World of Opportunity in Equities

Percent of world market capitalization as of December 31, 2015

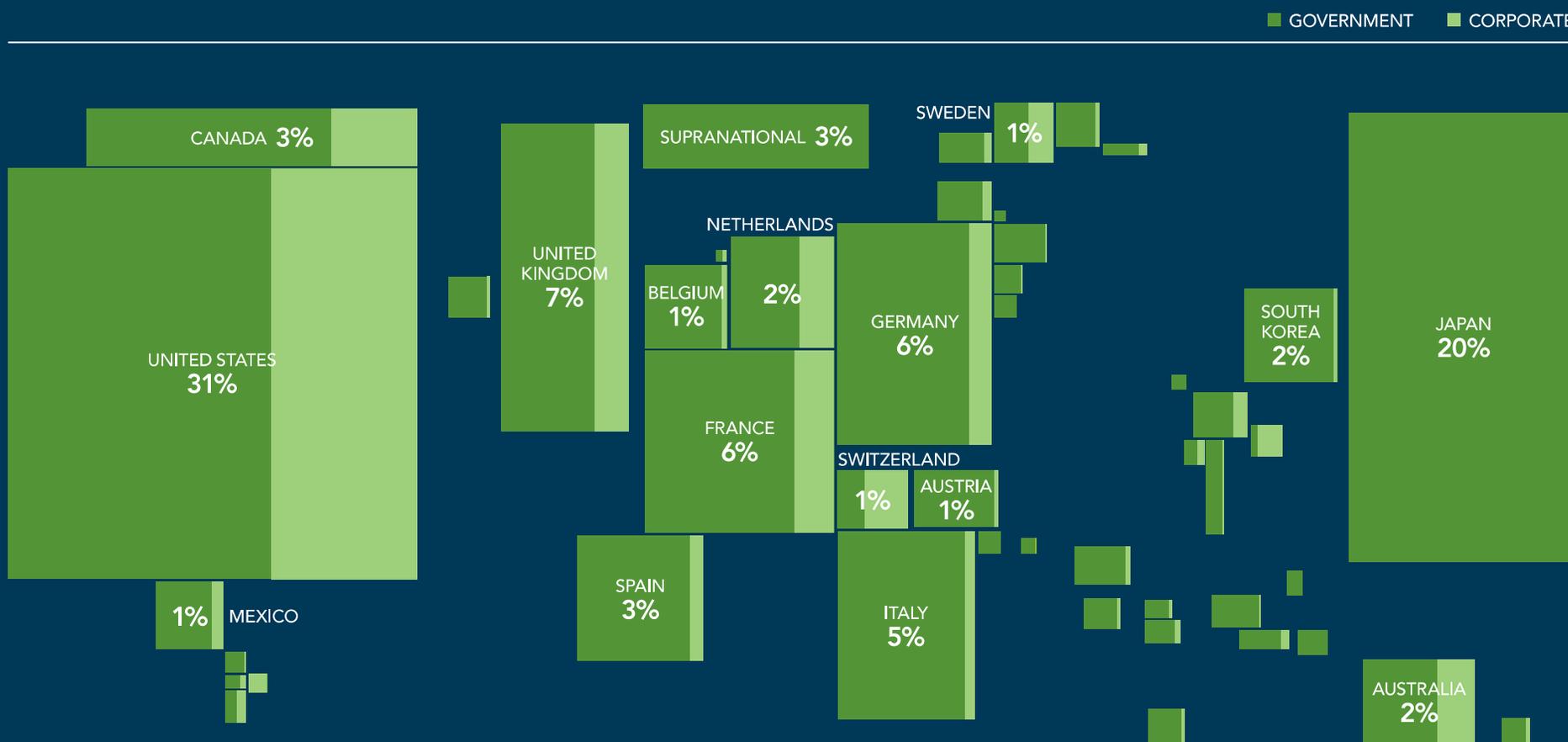
■ DEVELOPED MARKETS ■ EMERGING MARKETS ■ FRONTIER MARKETS



Market cap data is free-float adjusted from Bloomberg securities data. Many nations not displayed. Total may not equal 100% due to rounding. For educational purposes; should not be used as investment advice. China market capitalization excludes A-shares, which are generally only available to mainland China investors.

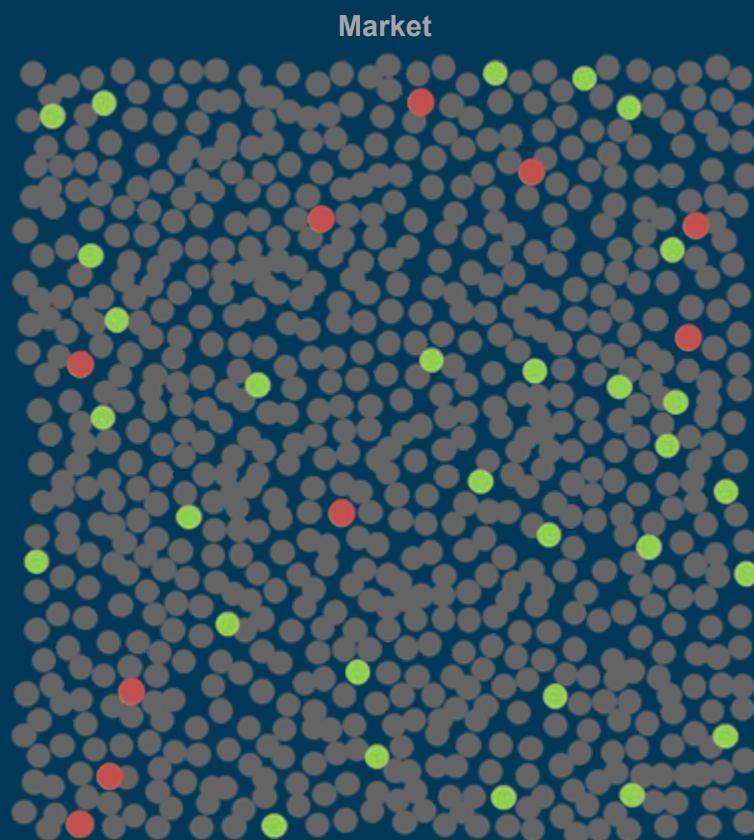
# There's a World of Opportunity in Fixed Income

Percent of global investment grade bond market as of December 31, 2015



Data is from Barclays Global Aggregate Ex-Securitized Bond Index. Many nations not displayed. Total may not equal 100% due to rounding. For educational purposes; should not be used as investment advice. Barclays data provided by Barclays Bank PLC.

# The conventional approach attempts to outguess the market

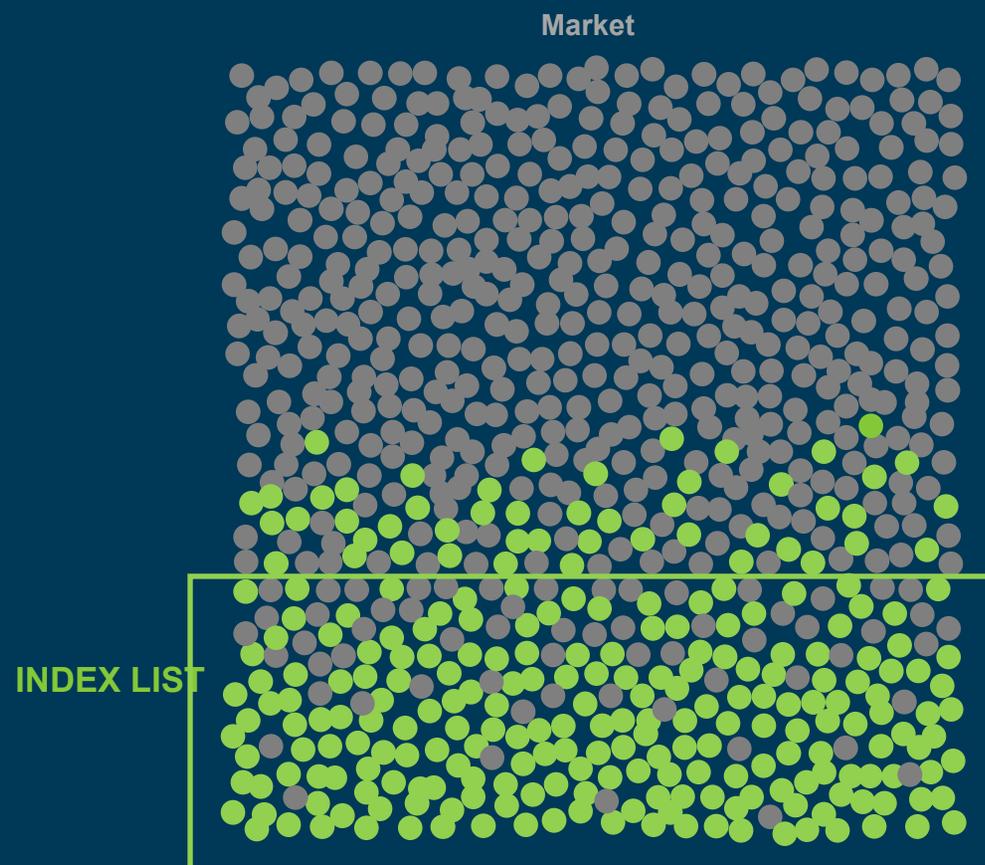


**Buys** a selection of individual securities manager thinks will outperform.

**Sells** securities when deemed overvalued.

Can lead to high turnover and excess costs.

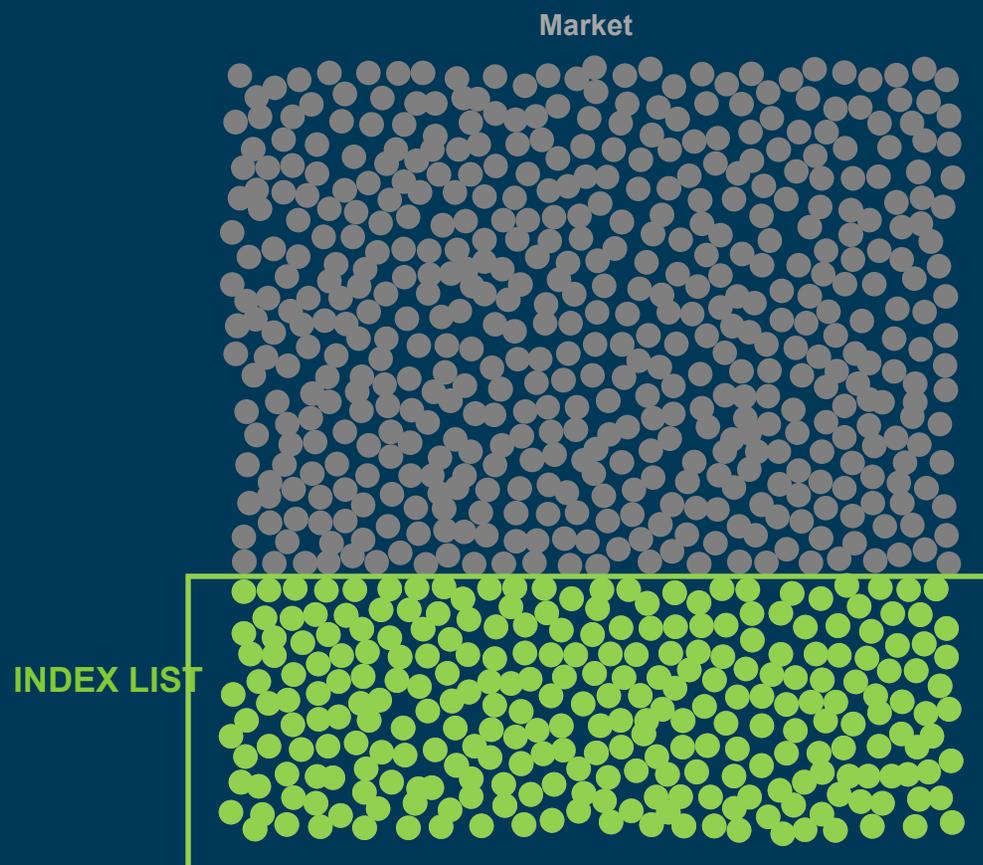
# The indexing approach attempts to match the returns of a commercial benchmark



**Six months later:**  
Securities have moved  
in and out of the index's  
targeted range

As a result, your investment  
may have drifted from what  
you intended.

# The indexing approach attempts to match the returns of a commercial benchmark

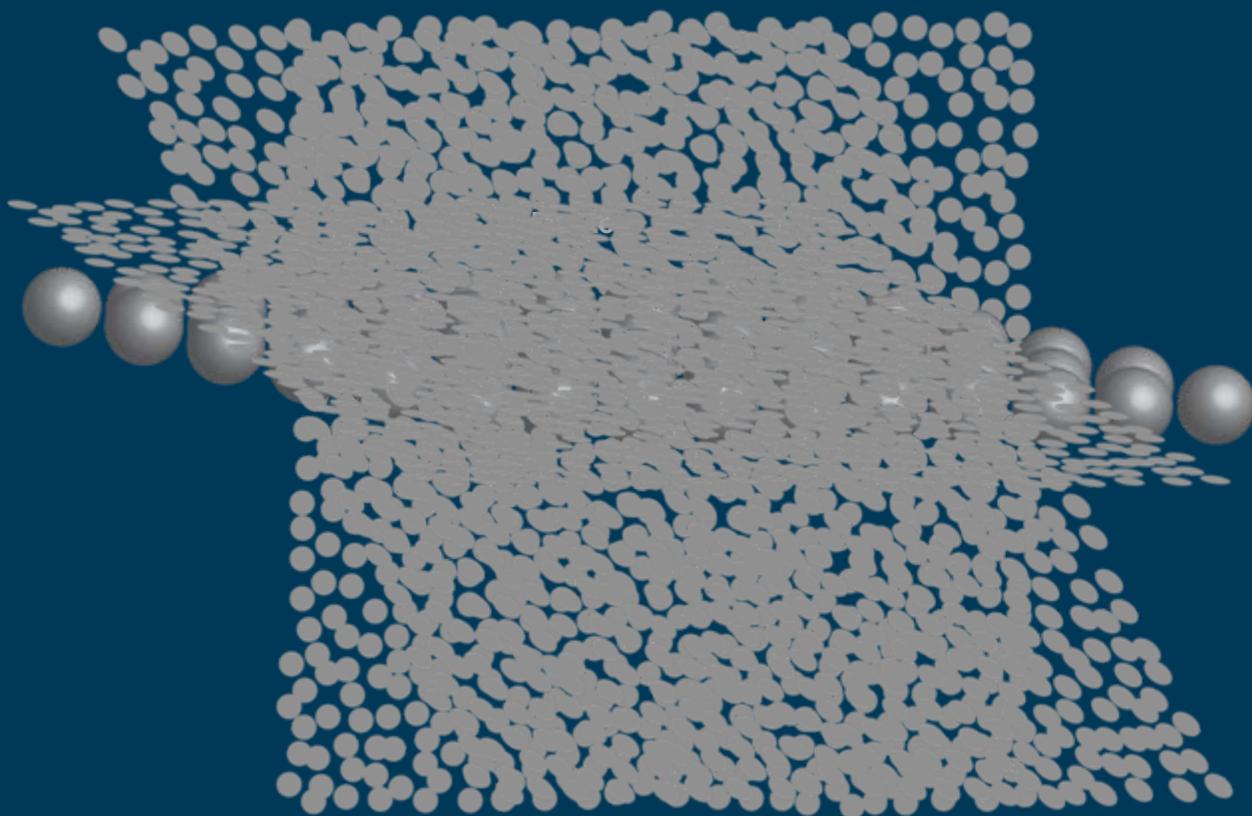


**Holds** a basket of securities represented in the index.

Buys and sells the same securities at the same time as all other funds tracking the index.

# We see the market in a different dimension

Market



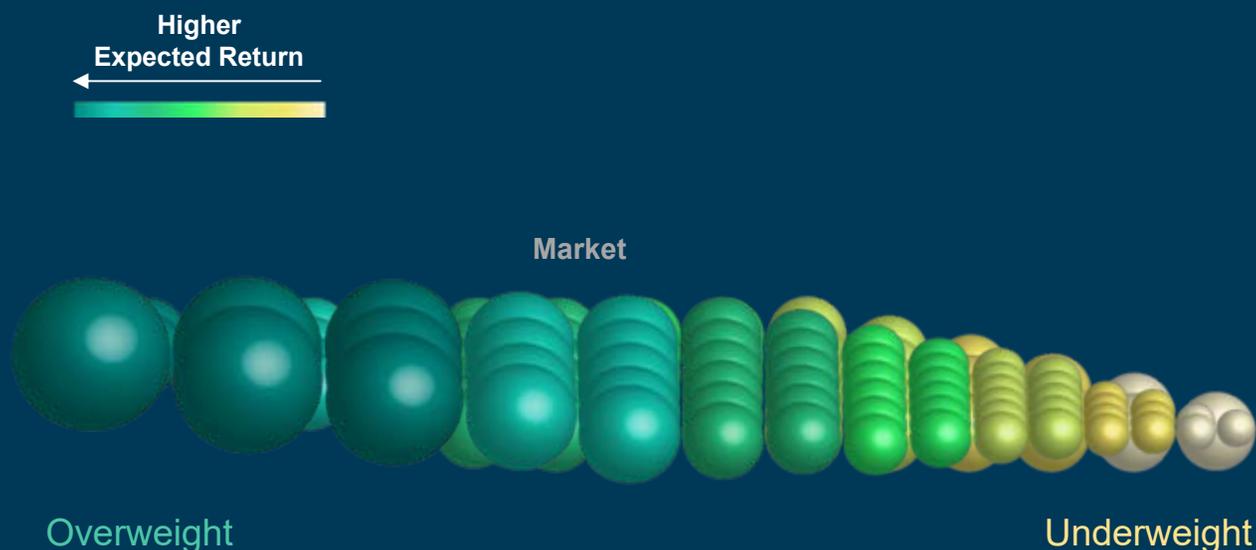
# We see the market in a different dimension

Higher  
Expected Return  
←



Decades of academic research and rigorous testing help us identify relevant dimensions that point to **differences in expected returns.**

# Dimensional structures portfolios along dimensions of expected return



Within well-diversified portfolios, we **emphasize** areas of the market with higher expected return potential.

# Balancing investment tradeoffs

## EXPECTED RETURN

## CONDITIONS

A



Broad diversification and patient, flexible trading lead to lower turnover and costs.

Two investment opportunities can have the same expected return but invite very different conditions.

B

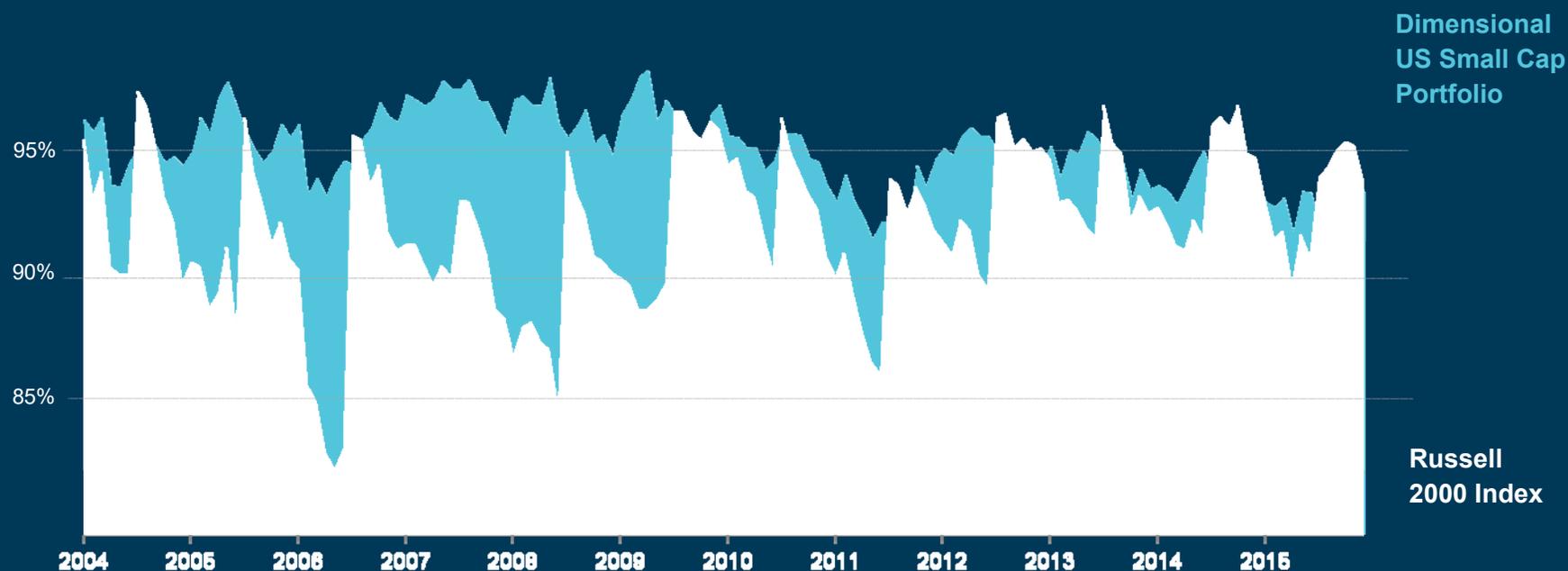


Concentrated holdings and urgent, inflexible trading result in higher turnover and costs.

These conditions result in different costs, which impact net returns.

# Managing portfolios to maintain asset class consistency

Assets in small cap companies (bottom 10% of market cap)



Your money today will likely  
buy less tomorrow

1913



\$0.09 = Quart of milk

1963



\$0.09 = 1 Small Glass of milk

2015



\$0.09 = 7 Tablespoons of milk

Not  
Investing means taking risks,  
too.

# Appendix

# Growth of Wealth Indices

**US Small Cap Value Index is the Fama/French US Small Value Index (ex utilities)**

**US Small Cap Index is the CRSP 6-10 Index**

**Large Cap Index is the S&P 500 Index ®**

**Long-Term Government Bonds Index is 20-year US government bonds**

**Treasury Bills are One-Month US Treasury bills**

**Inflation is the Consumer Price Index.**

# Data Appendix

Research conducted by Dimensional Fund Advisors LP. US-domiciled mutual fund data is from the CRSP Survivor-Bias-Free Mutual Fund Database, provided by the Center for Research in Security Prices, University of Chicago.

Certain types of equity and fixed income funds were excluded from the performance study. For equities, sector funds and funds with a narrow investment focus, such as real estate and gold, were excluded. Money market funds, municipal bond funds, and asset-backed security funds were excluded from fixed income.

Funds are identified using Lipper fund classification codes and are matched to their respective benchmarks at the beginning of the 10-year sample period. Winner funds are those whose cumulative return over the period exceeded that of their respective benchmark. Loser funds are funds that did not survive the period or whose cumulative return did not exceed their respective benchmark. Non-survivors include funds that were either liquidated or merged.

Benchmark data provided by Barclays, MSCI, and Russell. Barclays data provided by Barclays Bank PLC. MSCI data © MSCI 2016, all rights reserved. Russell data © Russell Investment Group 1995–2016, all rights reserved.

Benchmark indices are not available for direct investment. Their performance does not reflect the expenses associated with the management of an actual portfolio.

**Mutual fund investment values will fluctuate, and shares, when redeemed, may be worth more or less than original cost. Diversification neither assures a profit nor guarantees against a loss in a declining market. Past performance is no guarantee of future results.**

# Track Record Portfolios and Benchmarks

**US Micro Cap benchmark is Russell 2000 Index.**

**US Small Cap benchmark is Russell 2000 Index.**

**US Large Cap Value benchmark is Russell 1000 Value Index.**

**US Small Cap Value benchmark is Russell 2000 Value Index.**

**International Small Company prospectus benchmark is MSCI World ex USA Small Cap Index (net dividends). Due to unavailability of returns data from inception date, performance is that of MSCI All Country World ex USA Small Cap Index (net dividends) from 10/96 to 12/98 and MSCI World ex USA Small Cap Index (net dividends) from 1/99 forward.**

**International Small Cap Value prospectus benchmark is MSCI World ex USA Small Cap Index (net dividends). Due to unavailability of returns data from inception date, performance is that of MSCI All Country World ex USA Small Cap Index (net dividends) from 1/95 to 12/98 and MSCI World ex USA Small Cap Index (net dividends) from 1/99 forward.**

**International Value benchmark is MSCI World ex USA Index (net dividends).**

**Emerging Markets Small Cap prospectus benchmark is MSCI Emerging Markets Index (net dividends). Due to unavailability of returns data from inception date, performance is that of MSCI Emerging Markets Index (gross dividends) from 4/98 to 12/98 and MSCI Emerging Markets Index (net dividends) from 1/99 forward.**

**Emerging Markets Value prospectus benchmark is**

**MSCI Emerging Markets Index (net dividends). Due to unavailability of returns data from inception date, performance is that of MSCI Emerging Markets Index (gross dividends) from 5/98 to 12/98 and MSCI Emerging Markets Index (net dividends) from 1/99 forward.**

**Emerging Markets prospectus benchmark is MSCI Emerging Markets Index (net dividends). Due to unavailability of returns data from inception date, performance is that of MSCI Emerging Markets Index (gross dividends) from 5/94 to 12/98 and MSCI Emerging Markets Index (net dividends) from 1/99 forward.**

**One-Year Fixed benchmark is BofA Merrill Lynch 6-Month US Treasury Bill Index.**

**Intermediate Government benchmark is Barclays US Government Bond Index.**

**Five-Year Global benchmark is Citigroup World Government Bond Index 1-5 Years (hedged to USD).**

**Russell data © Russell Investment Group 1995–2016, all rights reserved.**

**MSCI data © MSCI 2016, all rights reserved. Except as noted above, MSCI indices are net of foreign withholding taxes on dividends since January 1999. The BofA Merrill Lynch index is used with permission; © 2015 Merrill Lynch, Pierce, Fenner & Smith Incorporated; all rights reserved. Merrill Lynch, Pierce, Fenner & Smith Incorporated is a wholly owned subsidiary of Bank of America Corporation. Barclays indices © Barclays 2016. Citigroup bond indices © 2016 by Citigroup. Indices are not available for direct investment.**

# Standardized Performance Data & Disclosures

**Performance data shown represents past performance. Past performance is no guarantee of future results, and current performance may be higher or lower than the performance shown. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. To obtain performance data current to the most recent month end, access our website at [us.dimensional.com](http://us.dimensional.com).**

**Consider the investment objectives, risks, and charges and expenses of the Dimensional funds carefully before investing. For this and other information about the Dimensional funds, please read the prospectus carefully before investing. Prospectuses are available by calling Dimensional Fund Advisors collect at (512) 306-7400 or at [us.dimensional.com/prospectus](http://us.dimensional.com/prospectus). Dimensional funds are distributed by DFA Securities LLC.**

Dimensional Fund Advisors LP is an investment advisor registered with the Securities and Exchange Commission.

**Risks** include loss of principal and fluctuating value. Investment value will fluctuate, and shares, when redeemed, may be worth more or less than original cost.

**Small and micro cap securities** are subject to greater volatility than those in other asset categories.

**International and emerging markets investing** involves special risks such as currency fluctuation and political instability. Investing in emerging markets may accentuate these risks.

**Sector-specific investments** focus on a specific segment of the market, which can increase investment risks.

**Fixed income securities** are subject to increased loss of principal during periods of rising interest rates. Fixed-income investments are subject to various other risks, including changes in credit quality, liquidity, prepayments, call risk, and other factors. **Municipal securities** are subject to the risks of adverse economic and regulatory changes in their issuing states.

**Real estate investment risks** include changes in real estate values and property taxes, interest rates, cash flow of underlying real estate assets, supply and demand, and the management skill and creditworthiness of the issuer.

**Sustainability funds** use environmental and social screens that may limit investment opportunities for the fund.

**Commodities** include increased risks, such as political, economic, and currency instability, and may not be suitable for all investors. The Portfolio may be more volatile than a diversified fund because the Portfolio invests in a smaller number of issuers and commodity sectors.

**The fund prospectuses contain more information about investment risks.**

# Standardized Performance Data & Disclosures

As of March 31, 2016									
Average Annual Total Returns (%)	Symbol	1 Year	5 Years	10 Years	Since Inception	Net Expense Ratio (%)	Total (Gross) Expense Ratio (%)	Management Fee (%)	Inception Date
<b>US Equity Portfolios</b>									
US Micro Cap Portfolio <sup>1</sup>	DFSCX	-5.71	8.97	5.45	11.71	0.52	0.52	0.50	12/23/1981
US Small Cap Portfolio <sup>1</sup>	DFSTX	-5.29	9.06	6.62	10.23	0.37	0.37	0.35	3/19/1992
US Large Cap Value Portfolio <sup>2</sup>	DFLVX	-3.16	10.05	6.04	9.74	0.27	0.37	0.35	2/19/1993
US Small Cap Value Portfolio <sup>1</sup>	DFSVX	-8.09	7.49	4.99	11.45	0.52	0.52	0.50	3/2/1993
<b>Non-US Equity Portfolios</b>									
International Small Company Portfolio <sup>1,3</sup>	DFISX	2.34	4.17	4.12	6.68	0.54	0.54	0.40	9/30/1996
International Small Cap Value Portfolio <sup>1</sup>	DISVX	-1.46	4.40	3.97	7.27	0.69	0.69	0.65	12/29/1994
International Value Portfolio <sup>4</sup>	DFIVX	-13.68	-0.95	0.84	5.62	0.43	0.63	0.60	2/15/1994
Emerging Markets Small Cap Portfolio <sup>4</sup>	DEMSX	-7.17	-0.87	6.43	11.19	0.73	0.93	0.85	3/5/1998
Emerging Markets Value Portfolio <sup>4</sup>	DFEVX	-11.37	-6.44	3.27	9.54	0.56	0.66	0.60	4/1/1998
Emerging Markets Portfolio <sup>4</sup>	DFEMX	-10.63	-3.59	3.67	6.35	0.57	0.67	0.60	4/25/1994
<b>Fixed Income Portfolios</b>									
One-Year Fixed Income Portfolio <sup>1</sup>	DFIHX	0.51	0.54	1.88	4.83	0.17	0.17	0.15	7/25/1983
Intermediate Government Fixed Income Portfolio <sup>1</sup>	DFIGX	3.45	3.98	5.25	6.55	0.12	0.12	0.10	10/19/1990
Five-Year Global Fixed Income Portfolio <sup>1</sup>	DFGBX	2.39	3.04	3.81	5.56	0.27	0.27	0.25	11/6/1990

1. Expense information as of 10/31/2015. The fund's prospectus contains more information on fees and expenses.

2. Expense information as provided in the prospectus, dated 2/28/2016. The Advisor has agreed to waive certain fees and, in certain circumstances, assume certain expenses of the Portfolio. This portion of the contractual fee waiver and/or expense assumption agreement will remain in effect through 2/28/2017. The "Total Operating Expense Ratio" has been adjusted to reflect the Feeder Portfolio's new investment management agreement, effective July 21, 2015, and includes an investment management fee payable by the Feeder Portfolio and an investment management fee payable by the Master Fund. For any period when the Feeder Portfolio is invested in other funds managed by the Advisor (collectively, "Underlying Funds"), the Advisor has contractually agreed to permanently waive the Feeder Portfolio's direct investment management fee to the extent necessary to offset the proportionate share of any Underlying Fund's investment management fee paid by the Feeder Portfolio through its investment in such Underlying Fund. The fund's prospectus contains more information on fees and expenses.

3. The Advisor has agreed to waive certain fees and, in certain circumstances, assume certain expenses of the Portfolio. This contractual fee waiver and/or expense assumption agreement will remain in effect through 2/28/2017.

4. Expense information as provided in the prospectus, dated 2/28/2016. The "Total Operating Expense Ratio" has been adjusted to reflect the Feeder Portfolio's new investment management agreement, effective July 21, 2015, and includes an investment management fee payable by the Feeder Portfolio and an investment management fee payable by the Master Fund. For any period when the Feeder Portfolio is invested in other funds managed by the Advisor (collectively, "Underlying Funds"), the Advisor has contractually agreed to permanently waive the Feeder Portfolio's direct investment management fee to the extent necessary to offset the proportionate share of any Underlying Fund's investment management fee paid by the Feeder Portfolio through its investment in such Underlying Fund. The fund's prospectus contains more information on fees and expenses.

---

**WHY  
INVEST?**

---

---

**HOW DO  
MANY PEOPLE  
INVEST?**

---

---

**WHAT  
HAVE WE  
LEARNED?**

---

---

**WHAT IS  
THE BEST WAY  
TO INVEST?**

---

---

# THE DIMENSIONAL DIFFERENCE

---